
Stevens Road Tract Concept Plan Market Assessment

January 2022

Prepared for: City of Bend

Final Report

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Executive Summary

ECONorthwest is a subcontractor to Angelo Planning Group (APG) on a City of Bend contract to evaluate the market potential for the Stevens Road Tract Concept Plan. The project area consists of 261 acres that lie outside of the City limits to the southeast of Bend's Urban Growth Boundary (UGB). It is planned to be a significant area of development for the City in the next decade and beyond.

Oregon House Bill 3318 (HB 3318) establishes planning requirements to add the 261-acre property to Bend's urban growth boundary, including requirements intended to create a "complete community" with deed-restricted affordable, workforce, and market-rate housing; parks; mixed use areas; and employment uses; along with transportation improvements that support walking, biking, and transit as a way of travel for residents. This report evaluates the market viability of various development types that are anticipated to locate in the Project Area and informs future discussion about the mix of uses in the area.

Summary: Real Estate Market Trends

Below we provide a high-level trends summary of Bend's commercial and residential real estate submarket.

When COVID-19 hit Central Oregon in the Spring of 2020, commercial real estate was impacted with transactions coming to almost a halt. Commercial real estate in Bend saw some small declines in rents and increases in vacancies. However, by the fourth quarter of 2020, conditions were better with rents either back to previous levels or higher while vacancies kept dropping for some commercial real estate products.

- **Office:** Although rents softened in 2020, the office submarket in Bend rebounded quickly with higher rents by fourth quarter of 2020. Since 2017, office rents have increased 21 percent, while vacancy rates have risen slightly as new office space is delivered and COVID-19 still impacting return to work for most people in the workforce. Despite lingering COVID-19 impacts, office demand has remained strong and the relatively low vacancy rate has resulted in upward rent pressures indicating increasing demand for office space in the Bend market. New office construction tends to be in the small to medium scale development between 5,000 to 20,000 square feet in size. New office space is indicative of Bend's employment trends, which features many small businesses (averaging nine employees or less) and those that demand small flexible workspaces.
- **Retail:** Rents softened some in 2020, however, they have exceeded pre-COVID-19 levels with a return to normal activity in the retail sector. The retail submarket gained strength in the past few years as rents have increased and vacancy rates have remained very low. This trend in the retail market suggests a constrained supply of retail space with potential demand for additional retail space. New retail construction in Bend generally

tends to be multi-tenant, strip retail buildings either stand-alone or grouped with other retail buildings. New retail buildings in Bend average from 3,000 square feet, stand-alone buildings up to 30,000 multi-building strip retail.

- **Industrial:** Demand for industrial space has almost outstripped supply. High demand for industrial space pushed vacancy rates to very low levels and created upward pressures on rent. Industrial rents have increased 60 percent since 2017—the greatest increase across all commercial real estate in Bend. The higher lease rents are typically for newer industrial space or highly improved spaces with offices or some retail component within industrial buildings.
- **Flex:** Flex rents increased 30 percent since 2017. A strong demand for flex space has pushed vacancy rates to very low levels of 1.9 percent in 2021 Q3. Rising rents and very low vacancy rates indicate a demand for additional flex space in Bend.
- **Multifamily:** Strong demand for multifamily housing fueled rent increases in recent years. Multifamily rents are at a 12-year high of \$1.89 per square foot in 2021 Q3. Vacancy rates remained healthy as hundreds of multifamily units have been constructed and quickly leased up.

Market Potential for Stevens Road Tract Concept Plan

Commercial and Employment Land Demand

- **Office:** Demand for office space in the Stevens Road Tract Concept Plan will come from overall employment growth in Bend for office-oriented businesses and demand for workspaces and medical offices close to where people live. This could include office space that allows for collaborative and shared work environments that is typically mixed in and complemented with other uses such as retail. Similar to Northwest Crossing, the area could support commercial mixed-use development integrating retail and office space within a building with office uses located either on the ground or second floor. The area can also support small-scale, neighborhood-serving office businesses such as medical and dental offices, accountants, insurance, and real estate offices that serve surrounding residential uses. These businesses may be in small buildings within a commercial area or (for medical office) a larger complex in an area with better transportation access.
- **Retail and Personal Services:** Retail demand (including personal services) will be based on new housing in the area, as other areas are better positioned to serve existing residents. A limited amount of neighborhood-serving retail space for personal services, wellness/lifestyle businesses, and eating and drinking establishments can be supported by future residential uses. These retail businesses are most likely to be built as a small neighborhood commercial center or part of a main-street type retail development. The area could also potentially support a neighborhood-serving pharmacy or similar business as an anchor tenant to the commercial center.

- **Industrial and Flex:** Market trends indicate increasing demand for industrial and flex space that allows for a mix of employment uses such as light manufacturing, light industrial, and limited retail and office uses. The Stevens Road Tract Concept Plan could support small-scale, mixed-employment uses provided it is developed with good access to SE 27th Street. The area's lack of transportation access for state highways and major roadways will limit the attraction of traditional industrial uses in the area such as warehouses and distribution centers that require good freight access and connections.

Overall, there is likely demand for a small (2- to 5-acre) retail-focused commercial area complemented by roughly 10-25 acres of employment land that can accommodate office, flex, light industrial, and commercial uses.

Residential Land Demand

House Bill 3318 requires the area to be planned with a mix of housing types affordable to residents at different incomes levels ranging from single-family homes up to high-density housing.

- **Single-Family:** Population and household growth in Bend will likely continue to support demand for single-family housing for the foreseeable future. Newer residential development has tended to favor smaller lots, and this is likely to be the case in the Stevens Road Tract Concept Plan as well.
- **Middle Housing:** While there has been relatively little middle housing development in Bend to date, with regulatory barriers going away, more is likely to occur going forward. The most likely form of middle housing for the Stevens Road Tract Concept Plan is for-sale townhouse-style attached housing or cottage cluster housing. The market could support anywhere from a small percentage of units (e.g. roughly 10%, as in Northwest crossing) or a higher percentage (up to about 25%) as some other new growth areas around the state have seen.
- **Multifamily:** Market trends indicate the area is likely to support 3- to 4-story apartments with surface parking. These would likely range between 100 to 200 units each. The market may support one to three apartment developments in this area, depending on how demand for multifamily development changes over time.

1. Introduction

ECONorthwest is assisting a multi-disciplinary team led by Angelo Planning Group (APG) to develop a concept plan for the Stevens Road Tract (Project Area), which is located immediately east of the Bend Urban Growth Boundary. The purpose of this analysis is to identify and refine viable land uses for the Project Area based on demographic and real estate market trends. This report evaluates the market viability of various development types that are anticipated to locate in the Project Area and informs future discussion about the mix of uses in the area.

This market assessment builds upon the *Bend Southeast Expansion Area Market and Land Use Analysis* report prepared by ECONorthwest in 2018 as part of the Southeast Area Plan effort because the two project areas are proximate to one another and both market assessments are intended to answer similar questions. However, this assessment provides updated information and key findings to reflect current conditions and adjustments to reflect the locational differences between the Project Area and the Southeast Expansion Area Plan (SEAP).

1.1 Background

The Stevens Road Tract Concept Plan is located on the southeast edge of Bend and just outside the urban growth boundary (UGB). The 261-acre vacant site is bounded by Stevens Road to the North and the Knott Landfill and County property to the south. Oregon House Bill 3318 (HB 3318) establishes planning requirements to add the 261-acre property to Bend's urban growth boundary, including requirements intended to create a "complete community" with deed-restricted affordable, workforce, and market-rate housing; parks; mixed use areas; and employment uses; along with transportation improvements that support walking, biking, and transit as a way of travel for residents. Exhibit 1 below shows the location of the Stevens Road Tract Concept Plan area.

Exhibit 1. Stevens Road Tract Concept Plan (Project Area) Location

Source: City of Bend



STEVENS ROAD TRACT CONCEPT PLAN

Project Area

11/8/2021



- Stevens Road Concept Plan Area
- City Limits
- Urban Growth Boundary (UGB)

- Taxlots
- UGB Expansion Areas



0 0.25 Miles

1.2 Organization of this Report

The remainder of this report is organized into the following chapters:

- **Chapter 2. Demographic and Economic Trends.** Presents information and trends about the characteristics of households and population living in Bend that will inform future land uses and housing types. This section also summarizes key economic trends in Bend that will influence and inform future land uses in the Project Area.
- **Chapter 3. Current Market Conditions.** Summarizes the local commercial and residential real estate trends that will likely influence future demand and development of different uses in the Project Area.
- **Chapter 4. Demand Drivers and Site Needs.** Summarizes commercial and residential site considerations that will likely influence the type and scale of development that could considerably be realized in the Project Area.
- **Chapter 5. Case Study: Northwest Crossing.** This section provides a summary of the planning context, existing development pattern, and lessons learned relevant to planning for the Stevens Road Tract Concept Plan.
- **Chapter 6. Competitive Commercial and Industrial Areas.** Clarifies Stevens Road Tract Concept Plan's competitive position in Bend for commercial and industrial uses.
- **Chapter 7. Conclusion for Market Potential.** Describes preliminary recommendations for the market potential of different uses in the Project Area.

2. Demographic and Economic Trends

In this section, we examine the demographic and economic market trends that will influence and inform future land uses in the Project Area, building on the evaluation of Citywide trends found in the *Bend Southeast Expansion Area Market and Land Use Analysis*.

2.1 Demographic Trends

- **Bend has experienced continuing population growth.** According to the U.S. Census, Bend has a population of 99,178 in 2020. Between 2000 and 2020, Bend's population has grown substantially over the last 20 years, increasing over 90 percent since 2000.¹ Bend is expected to continue growing in the future to about 153,696 people by the year 2040.
- **Bend's population is aging.** From 2000 to 2016, the population aged 60 or older increased by 33 percent.²
- **The income characteristics of Bend households are changing.** There are proportionally more wealthy households than there were in past decades. About 23 percent of Bend's households earn more than \$100,000 per year, up from nine percent in 2000. In this same period, the *share* of lower-income households decreased. However, the total number of low-income households in Bend increased over this time period. The total number of households earning less than \$25,000 per year increased from 5,623 households in 2000 to almost 7,000 by the latest U.S. Census estimates.³
- **Bend's population became more ethnically diverse.** Between 2000 and 2016, Bend's Hispanic/Latino population increased by 206 percent, while the rest of the population increased by 55 percent during the same time period.⁴

2.2 Economic Trends

- **Bend's job growth has been substantial.** The number of jobs in Bend increased 30 percent from 2008 to 2019, adding 13,641 new jobs.⁵

¹ Source: U.S. Decennial Census 2000 and 2020.

² Source: U.S. Decennial Census 2000, ACS 2012-2016.

³ Source: U.S. Decennial Census 2000, ACS 2012-2016.

⁴ Source: U.S. Decennial Census 2000, ACS 2012-2016.

⁵ Source: Oregon Employment Department Quarterly Census of Wages and Employment data for Bend.

- **Most businesses in Bend are small-sized.** Approximately 37 percent of businesses in Bend had an average of 1-5 employees in 2019 and the average business size was 7.25 employees per business. ⁶
- **Bend's industrial employment is concentrated in construction, manufacturing, and wholesale trade.** Overall, there are more than 1,300 industrial businesses in Bend that employ approximately 10,000 people. In 2019, industrial businesses have an average of 7 employees.⁷
- **Bend has a well-educated population.** Residents of Bend have overall educational attainment rates higher than the state, with about 40 percent of Bend residents having earned a bachelor's degree or higher, compared to 35 percent of all Oregon residents. ⁸
- **Bend has experienced a resilient economy.** The unemployment rate in Bend peaked at 15.9 percent at the onset of the COVID-19 pandemic but has since recovered to 3.4 percent in September 2021. ⁹

⁶ Source: Oregon Employment Department Quarterly Census of Wages and Employment data for Bend

⁷ QCW 2019

⁸ Source: ACS 2015-2019

⁹ Source: Bureau of Labor Statistics

3. Current Market Conditions

The market for new development in the Project Area is divided into *commercial* and *residential* real estate sectors.

- Commercial real estate is any non-residential property used for commercial profit-making purposes. It includes office, industrial, flex space, retail, and hotel development types.
- Residential real estate includes any product type that is developed for people to live in. It includes rental and ownership housing, including apartments, condominiums, single-family homes, townhomes, manufactured homes, and student housing.

3.1 Commercial and Industrial Real Estate Trends

This section details Bend's commercial real estate conditions and identifies market drivers and trends that will influence the market appeal and viability of commercial uses in the Project Area.

When COVID-19 hit Central Oregon in the Spring of 2020, commercial real estate was impacted with transactions coming to almost a halt. commercial real estate in Bend saw some small declines in rents and increases in vacancies. However, by the fourth quarter of 2020, conditions were better with rents either back to previous levels or higher while vacancies kept dropping for some commercial real estate products.

- **Office:** Although rents softened in 2020, the office submarket in Bend rebounded quickly with higher rents by fourth quarter of 2020. Since 2017, office rents have increased 21 percent, while vacancy rates have risen slightly as new office space is delivered and COVID-19 still impacting return to work for most people in the workforce. Despite lingering COVID-19 impacts, office demand has remained strong and the relatively low vacancy rate has resulted in upward rent pressures indicating increasing demand for office space in the Bend market. New office construction tends to be in the small to medium scale development between 5,000 to 20,000 square feet in size. New office space is indicative of Bend's employment trends, which features many small businesses (averaging nine employees or less) and those that demand small flexible workspaces.
- **Retail:** Rents softened some in 2020, however, they have exceeded pre-COVID-19 levels with a return to normal activity in the retail sector. The retail submarket has gained strength in the past few years as rents have increased and vacancy rates have remained very low. This trend in the retail market suggests a constrained supply of retail space with potential demand for additional retail space. New retail construction in Bend generally tends to be multi-tenant, strip retail buildings either stand-alone or grouped with other retail buildings. New retail buildings in Bend average from 3,000 square feet, stand-alone buildings up to 30,000 multi-building strip retail.

- **Industrial:** Demand for industrial space has almost outstripped supply. High demand for industrial space has pushed vacancy rates to very low levels and created upward pressures on rent. Industrial rents have increased 60 percent since 2017—the greatest increase across all commercial real estate in Bend. The higher lease rents are typically for newer industrial space or highly improved spaces with offices or some retail component within industrial buildings.
- **Flex:** Flex rents have increased 30 percent since 2017. A strong demand for flex space has pushed vacancy rates to very low levels of 1.9 percent in 2021 Q3. Rising rents and very low vacancy rates indicate a demand for additional flex space in Bend.

3.1.1 Office

Buildings in the office real estate market are built to house employees. Buildings in this market are designed for comfort and to optimize workflow. Office buildings generally command higher rents per square foot than industrial and flex buildings. Bend’s high lease rate for office buildings is also due to a lot of the office space being newer medical offices with some retail exposure. The exhibits below show rent, vacancy, and absorption and delivery trends in the Bend office real estate market.

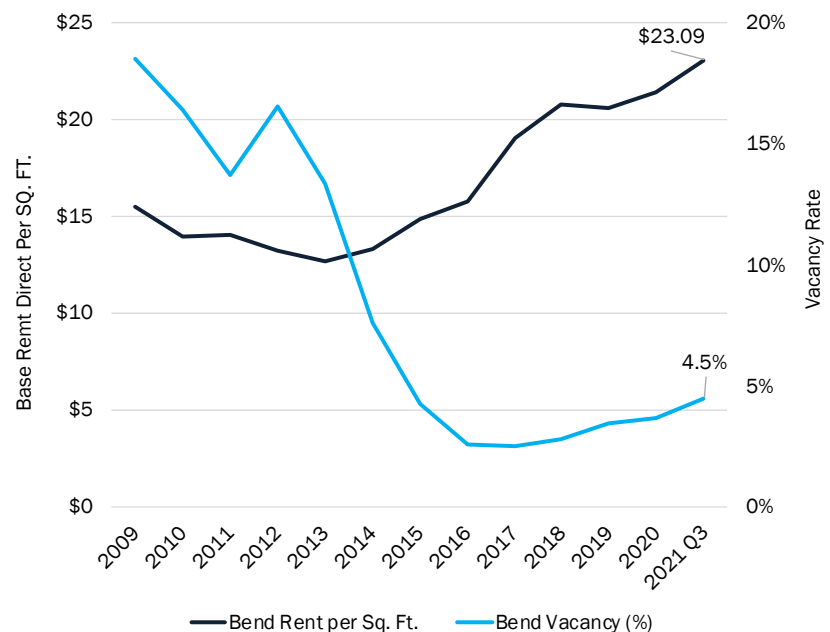
Growing demand for office space and low vacancy rates have created rent pressures.

Between 2017 and 2021 Q3, Bend’s office rents have increased—despite COVID-19 disrupting the office market worldwide.

Office vacancy rates have increased 2 percentage points since 2017 but remain low.

Exhibit 2. Office Rent per Square Foot and Vacancy Rate, Bend, 2009 through 2021 Q3

Source: CoStar

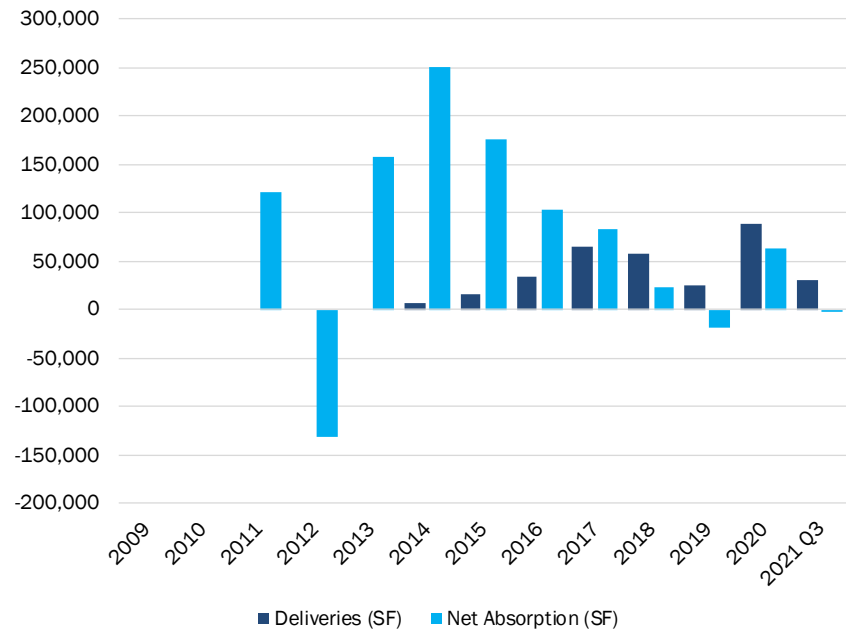


Since 2017, approximately 266,000 square feet of office space has been constructed.

In addition, 4 major office projects are proposed to be constructed in the near future totaling 58,000 square feet.

Exhibit 3. Office Deliveries and Net Absorption (square feet), Bend, 2009 through 2021 Q3

Source: CoStar



Characteristics of Recent New Office Construction

The Bend office buildings listed below were constructed within the past year. Bend’s new office space generally tends to be higher-end medical office buildings and command the highest office rents in the region.

Source: CoStar



150 NE Hawthorne Ave

Year Built: 2021

Building Sq. Ft.: 22,000

Land Area: 0.50 Acres

Description: This wood-frame, class B, office building is in the up-and-coming Bend Central District and offers 22,000 square feet of leasable space with the upper floor used as co-working space. This property is 95 percent leased.



695 NW York Dr

Year Built: 2021

Building Sq. Ft.: 7,744

Land Area: 0.40 Acres

Description: This state-of-the-art medical office is located in NorthWest Crossing and current tenants include a concierge medical tenant My MD. The medical office building is 31 percent leased up.



2715 NW Shevlin Park Rd – Building 8

Year Built: 2022

Building Sq. Ft.: 7,358

Land Area: N/A

Description: Building 8 is part of the Shevlin Health & Wellness Center that offers Class A medical and professional office space to the Northwest Crossing area. Current office campus tenants include High Lakes Primary Care, High Lakes OB/GYN, Elite Medi Spa, and Central Oregon Eyecare, amongst others.



2715 NW Shevlin Park – Building 10

Year Built: 2022

Building Sq. Ft.: 5,000

Land Area: N/A

Description: Building 8 is part of the Shevlin Health & Wellness Center that offers Class A medical and professional office space to the Northwest Crossing area. Current office campus tenants include High Lakes Primary Care, High Lakes OB/GYN, Elite Medi Spa, and Central Oregon Eyecare, amongst others.

3.1.2 Retail

Rising rents and very low vacancy rates indicate a constrained supply of retail space.

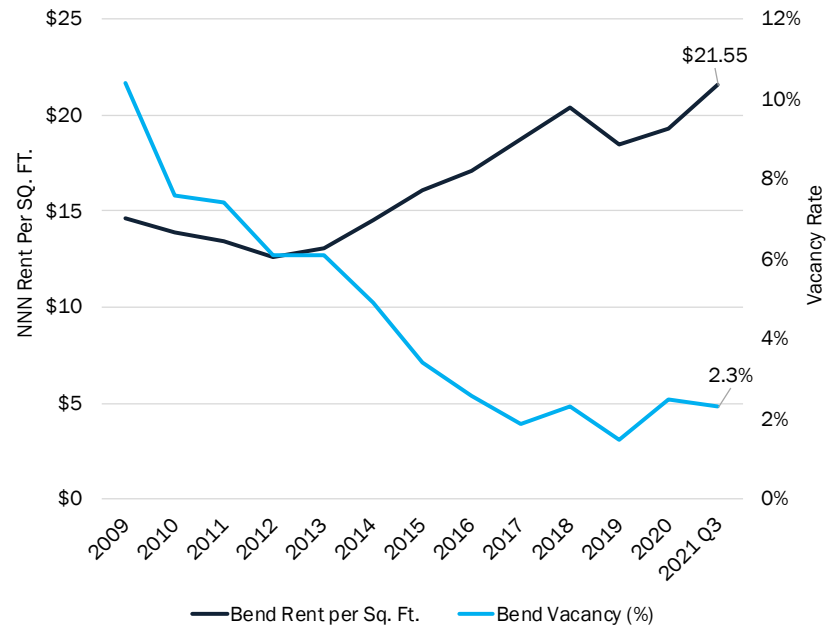
Between 2017 and 2021 Q3, retail rents have increased 15 percent (\$2.77), from \$18.78 per square foot in 2017, up to \$21.55 in 2021.

Retail vacancy rates in Bend have remained very low averaging about 2 percent since 2017.

Generally, a healthy retail market has a vacancy rate between 5 and 7 percent. Vacancy rates below 5 percent suggest a constrained supply of retail space which can result in upward pressures of rising rents. Vacancy rates higher than 7 percent suggest a weak market or an oversupply of retail space.

Exhibit 4. Retail Rent per Square Foot and Vacancy Rate, Bend, 2009 through 2021 Q3

Source: CoStar



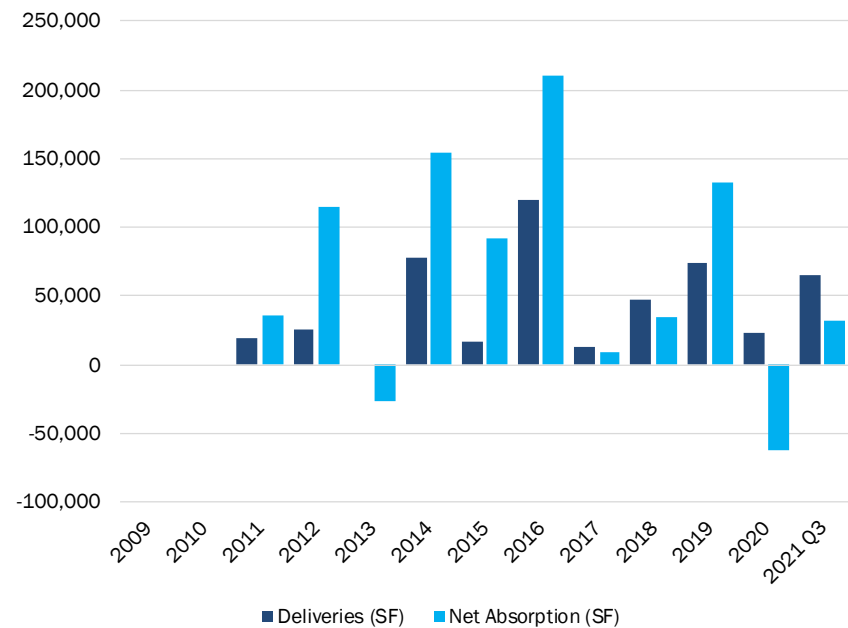
The Bend market has seen considerable construction of retail space. Since 2017, approximately 222,000 square feet of retail space has been built in Bend.

At the end of 2021 Q3, there is one major retail building under construction totaling about 30,000 square feet.

In addition, there is approximately 149,000 square feet of retail space proposed to be constructed soon.

Exhibit 5. Retail Deliveries and Net Absorption (square feet), Bend, 2009 through 2021 Q3

Source: CoStar



Characteristics of Recent New Retail Construction

Source: CoStar



2838 NW Crossing Dr

Year Built: 2021

Building Sq. Ft.: 32,603

Land Area: 1.00 Acres

Description: This property is a 2-story, mixed-use retail and office building in the heart of the Northwest Crossing master-planned neighborhood. The building is 92 percent leased and current tenants include a fitness studio. The property is part of a small cluster of businesses surrounded by residential uses. The area has limited pass-by traffic, though some businesses in the area attract patrons from across the city.



3211 N Highway 97 – Building A

Year Built: 2021

Building Sq. Ft.: 7,051

Land Area: N/A

Description: 3211 N Highway 97 – Building A is a single-story retail/office building with about 7,000 square feet of leasable space. Current tenants include Aspen Dental and America's Best. Located along Highway 97, the property's location is highly visible with substantial pass-by traffic.



1462 NE Cushing Dr

Year Built: 2021

Building Sq. Ft.: 18,100

Land Area: N/A

Description: 1462 NE Cushing Dr is one of Mountain Views' newest commercial nodes at the intersection of Neff Rd and NE 27th Rd. The property includes a mix of retail and restaurant uses. Current tenants include a yoga studio, restaurants, and personal service businesses.



1203-1233 NE 3rd St – 3rd Street Marketplace

Year Built: 2021

Building Sq. Ft.: 7,045

Land Area: 0.71 Acres

Description: This property is Bend Central District's newest retail development along 3rd Street. This property is a multi-tenant retail building with Starbucks being the main tenant. The site has great visibility with high traffic counts on NE 3rd Street/ Highway 97.



21175 Reed Market Rd

Year Built: 2021

Building Sq. Ft.: 30,223

Land Area: 3.00 Acres

Description: Reed's South in the Old Farm District Neighborhood is planned to include a mix of restaurants, retail, medical and office users, including the second location for Cascade lakes Brewery and a future gasoline station. The property is currently 28 percent leased.



1474 NW Wall St

Year Built: 2022

Building Sq. Ft.: 6,000

Land Area: 0.60 Acres

Description: Anchored by the Element Bend Hotel, this property is a new retail development near Downtown Bend. The property is comprised of two buildings, each about 3,000 square feet in size.

3.1.3 Industrial

Very strong growth in the industrial market indicates an increasing demand for industrial space.

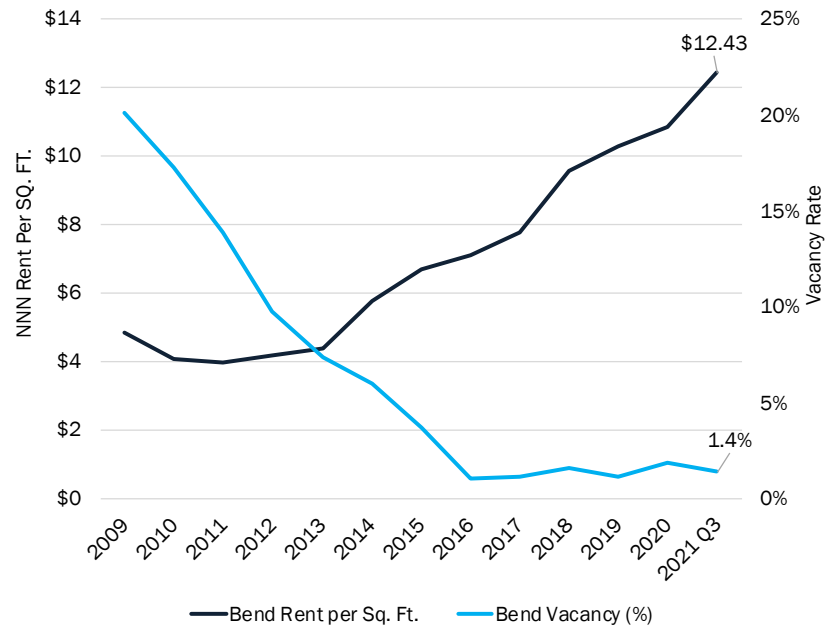
Growth in the industrial market has continued to remain strong in Bend.

Between 2017 and 2021 Q3, Industrial rents have increased 60 percent (\$4.66) from \$7.77 per square foot in 2017 up to \$12.43 per square foot in 2021 Q3.

Demand for industrial space has almost outstripped supply. High demand for industrial space has pushed vacancy rates to extremely low levels and created upward pressures on rent.

Exhibit 6. Industrial Rent per Square Foot and Vacancy Rate, Bend, 2009 through 2021 Q3

Source: CoStar



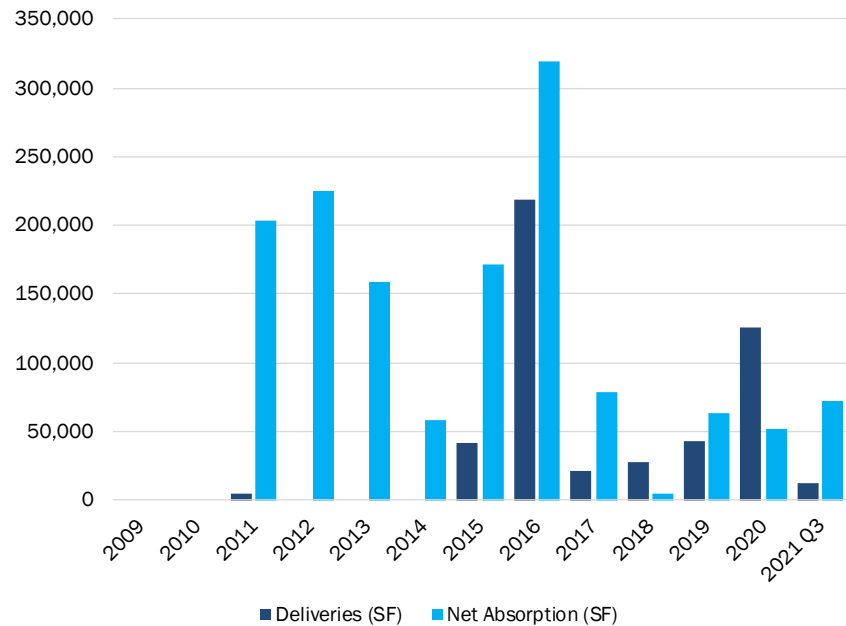
Since 2017, approximately 230,000 square feet of industrial space was delivered to the Bend market. Most of this new space was built in the east Bend's industrial areas along Highway 97

Notable completions include the 127,000 square feet High Desert Industrial Park (see below), which offers an industrial warehouse and flex space across 7 buildings.

At the end of 2021 Q3, there are two major industrial buildings under construction totaling approximately 25,000 square feet. They will be constructed in Brinson Industrial and High Desert Industrial Park areas.

Exhibit 7. Industrial Deliveries and Net Absorption (square feet), Bend, 2009 through 2021 Q3

Source: CoStar



Characteristics of Recent New Industrial Construction

Source: CoStar



693 SE Glenwood Dr

Year Built: 2021

Building Sq. Ft.: 12,556

Description: 693 SE Glenwood Dr is a newly constructed metal industrial building located in central Bend. The property is fully leased and current tenants include a mall, local deodorant manufacturing business.



2561 NE 4th St, Building 5 – High Desert Industrial Park

Year Built: 2021

Building Sq. Ft.: 13,376

Description: The High Desert Industrial Park is comprised of 7 buildings totaling 127,000 square feet of industrial space. The site offers great highway access to both Highway 20 and Highway 97. The flex buildings offer opportunities for light manufacturing, office, and possibilities for showroom areas.

3.1.4 Flex

Falling vacancy rates are creating rent pressures for flex space.

Demand for flex space follows similar trends to that of industrial space.

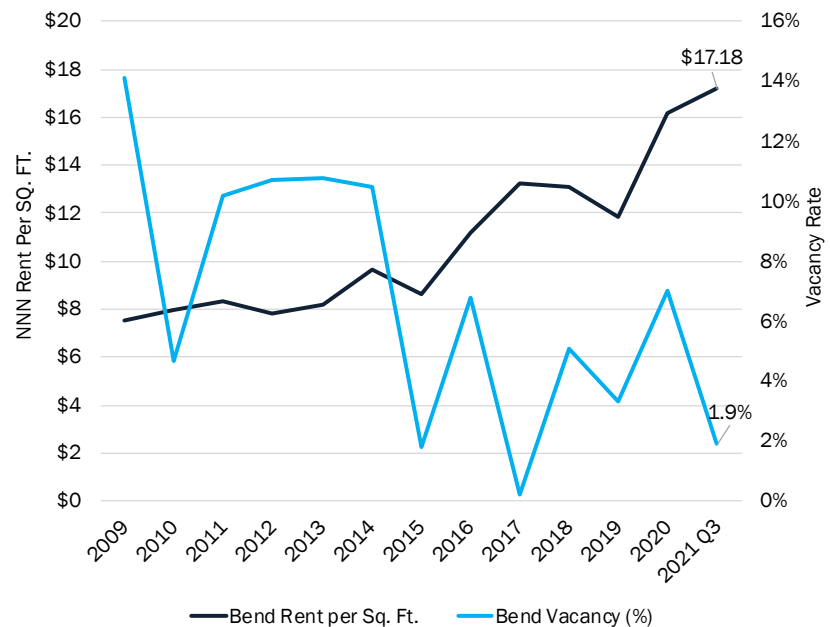
Between 2017 and 2021 Q3, flex rents increased 30 percent (\$3.94) from \$13.24 in 2017 up to \$17.18 in 2021 Q3.

Strong demand for flex space has pushed vacancy rates to 1.9 percent in 2021 Q3. Very low vacancy rates have resulted in increased rents.

A very low vacancy rate indicates a constrained supply of flex space and a greater demand for this type of commercial space.

Exhibit 8. Flex Rent per Square Foot and Vacancy Rate, Bend, 2009 through 2021 Q3

Source: CoStar

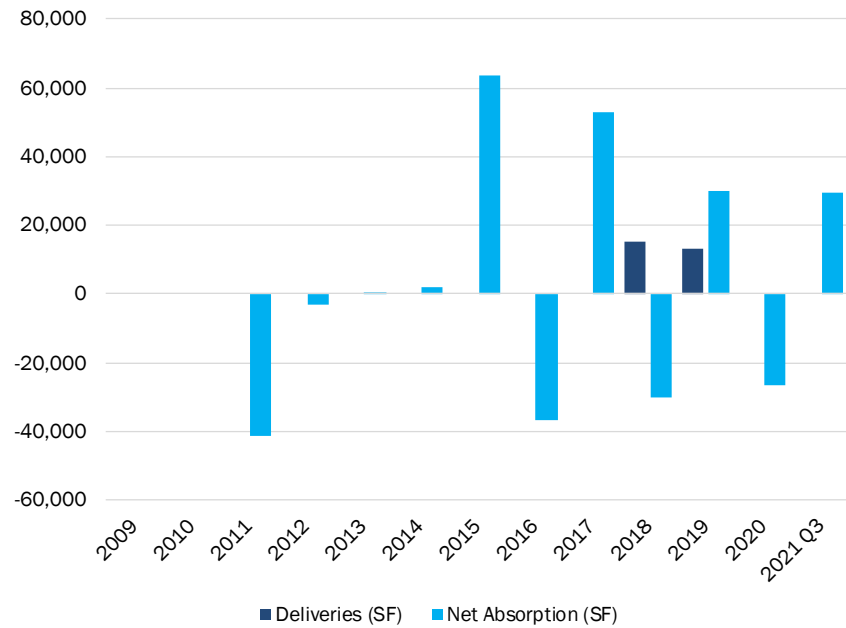


Since 2017, approximately 28,000 square feet of flex space has been built in the Bend market.

Notable completions include the 15,000 square foot flex office space in Northwest Crossing along the NW Skyliners Rd. (see below).

Exhibit 9. Flex Deliveries and Net Absorption (square feet), Bend, 2009 through 2021 Q3

Source: CoStar



Characteristics of Recent New Flex Construction

Source: CoStar



2783 NW Lolo Dr

Year Built: 2018

Building Sq. Ft.: 14,975

Description: This property is a single-story flex building with flexible space for office and retail-oriented uses. A mirror copy of this building occupies the other half of the site offering a commercial center environment for the Northwest Crossing neighborhood. Although the area has limited pass-through traffic, businesses in the area attract customers from all over the city.

3.2 Residential Real Estate Trends

This section provides an assessment of *residential real estate trends* with a focus on Bend's multifamily housing markets. It addresses factors such as lease and vacancy rates and new housing development (particularly for multifamily uses).

3.2.1 Multifamily

Strong demand for multifamily housing has fueled rent increases in recent years.

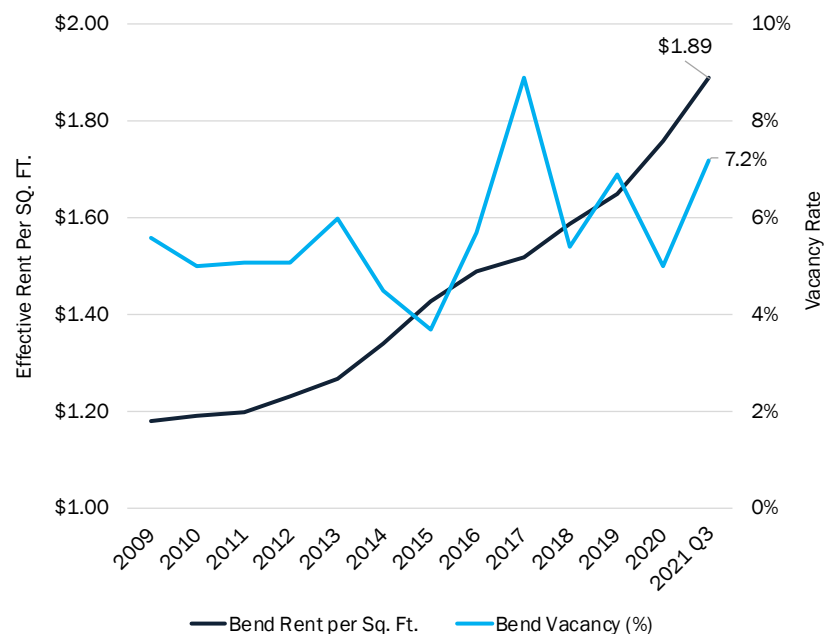
Between 2017 and 2021 Q3, multifamily rents have increased 24 percent (\$0.37) from \$1.52 per square foot in 2017 up to \$1.89 per square foot in 2021 Q3.

Vacancy rates are healthy—by industry standards. The new multifamily units that have been constructed in recent years have leased up quickly.

Note: Based on the Costar database, rents for older multifamily apartments are disproportionately skewed toward newer multifamily units. This is because Costar generally has better information for newer multifamily units than older, existing multifamily units.

Exhibit 10. Multifamily Rent per Square Foot and Vacancy Rate, Bend, 2009 through 2021 Q3

Source: CoStar



Since 2017, approximately 1,200 multifamily units have been delivered to the Bend market.

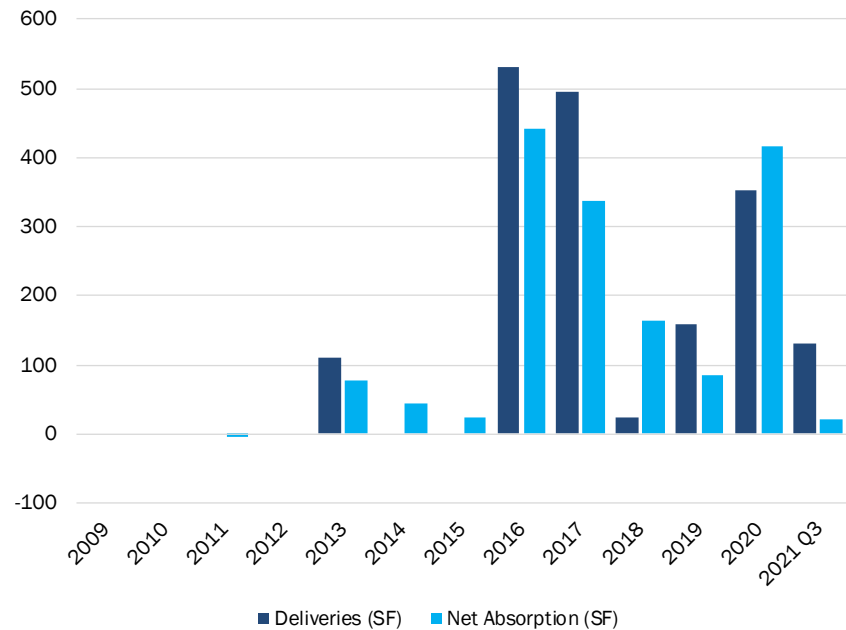
Notable completions include the Hixon Apartments (203 units), the Reserve at Brookwood Apartments (120 units), and the Outpost 44 (130 units).

At the end of 2021 Q3, there is one major multifamily building under construction, The Eddy Apartments, which will bring about 141 units to the market.

Absorption for newer multifamily units is approximately between 12-15 months and not a hot market for multifamily housing compared to other market trends.

Exhibit 11. Multifamily Deliveries and Net Absorption (units), Bend, 2009 through 2021 Q3

Source: CoStar



Characteristics of Recent New Multifamily Construction

Source: CoStar



801 SW Bradbury Way – The Eddy Apartments

Year Built: 2021

Building Sq. Ft.: 125,000

Residential Density: 48.45 units/acre

- Low-Rise, Market-Rate Housing
- 141 units
- Studio (94), 1-bedroom (39), 2-bedroom (8)
- Average SF per unit: 687



643 NE Ross Rd – Outpost 44

Year Built: 2021

Building Sq. Ft.: 100,000

Residential Density: 25.94 units/acre

- Garden-Style, Market-Rate Housing
- 130 units
- 1-bedroom (33), 2-bedroom (54), 2-bedroom (43)
- Average SF per unit: 1,111



210 SW Century Dr – The Hixon Apartments

Year Built: 2020

Building Sq. Ft.: 191,064

- Mixed-use, Podium, Market-Rate Housing
- 6-stories
- 203 units
- 16,000 sq. ft. of ground-floor retail
- Studio (64), 1-bedroom (108), 2-bedroom (31)
- Average SF per unit: 645



20174 Reed Ln – Reserve at Brookwood

Year Built: 2020

Building Sq. Ft.: 191,064

Residential Density: 23.0 units/acre

- Low-Rise, Market Rate Housing
- 3-stories
- 120 units
- 1-bedroom (20), 2-bedroom (65), 3-bedroom (35)
- Average SF per unit: 645

4. Demand Drivers and Site Needs

4.1 Retail

4.1.1 Sources of Retail Demand

At the most fundamental level, market support for commercial retail development is a function of three sources of demand:

- **Resident Household Spending.** The consumption from the discretionary spending of resident households within a reasonable distance of the establishment.
- **Visitor Spending.** Spending from temporary, non-resident visitors. This spending is most common in tourist destinations, along interstate freeway systems, or in proximity to hotels, entertainment attractions, or other uses that draw visitors from a great distance.
- **Daytime Population.** The typical population during working hours within a reasonable distance of the establishment. This population could include employees, students, or residents that do not commute out of the market.

4.1.2 Support Needed for Retail Typologies

Required market support varies broadly by retail typology. For example, a corner store or ground floor mixed-use space in a suburban mid-rise requires much less market support than a large, anchored community center. The necessary support can range broadly by retail type, tenant, income levels, or other factors. However, the exhibit below presents some general guidelines for neighborhood-scale retail. In addition to resident household support, most neighborhood-scaled retail also relies on access to the daytime population for market support.

Exhibit 12. Market Support for Retail Typologies

Source: ECONorthwest research, CoStar, Urban Land Institute

Retail Typology	Typical Size (Sq. Ft. / Acres)	Example Tenant Types	Required Support
Corner Store/Suburban Mixed-use	1,500–2,500 / Less than an acre	Convenience store, coffee shop, boutique store, personal services, limited kitchen restaurant (prepared foods)	1,000 to 1,500 households , central location, access to daytime population
Commercial Strip Center	10,000–30,000 / 3–5	Boutique uses, professional or financial services, small pharmacy or food market, coffee shop or bakery	2,500 to 5,000 households , location on a primary arterial.
Neighborhood Center	30,000–100,000 / 10–15	Medium-size grocery anchor, mix of retail tenants including financial & professional services, restaurants, café/bakeries, hobby & recreation, mail centers, etc.	6,000 – 8,000 Households , strong location with high visibility. Site on correct side of evening commute flows.

Retail Typology	Typical Size (Sq. Ft. / Acres)	Example Tenant Types	Required Support
Community Center	150,000–300,000/ 15-30	Supermarket and a major department store or home improvement store surrounded by several other tenants such as in a neighborhood center. Banks, professional offices, and larger eating establishments.	50,000 or more people from a 4 to 6-mile trade area. Located along a high-quality main street or thoroughfare surrounded by a well-planned suburban residential community.

4.1.3 Retail Site Considerations

As previously noted in the *Bend Southeast Expansion Area Market and Land Use Analysis* report, there are locational factors to consider for specific retail uses which can have a major impact on the public presence of a business, walk-in traffic, the potential future income, and amongst others. Choosing a location that does not take into consideration these factors may limit a business’s ability to succeed and grow.

Technological advances have changed consumer behavior and retail success dramatically. The growth of e-commerce makes it even more challenging for traditional brick-and-mortar stores to survive. This can create unwillingness for local, “mom and pop” type shops to open their doors in certain communities. Understanding how community members tend to use technology (willingness to order items online or find better prices elsewhere) and their access to technology (smartphones, internet) is crucial to measuring the success of a given store.

Geographic location and the households that together form the community, impact the survival of a retail store. If a store’s products are not aligned with the preferences of its potential customers, the store will fail. A significant amount of data collection and analysis must be performed before deciding to open a store in a new location. A summary of criteria considered when evaluating a potential establishment’s viability in a given area includes¹⁰:

- **Population Size and Characteristics.** Total size and density, age distribution, average educational level, total disposable income, per capita disposable income, occupation distribution, percentage of residents owning a home
- **Availability of Labor.** Management, management trainees, clerical
- **Closeness to Sources of Supply.** Delivery costs, timeliness, number of manufacturers, number of wholesalers, availability, and reliability of product lines
- **Economic Base.** Dominant industry, extent of diversification, growth projections, freedom from economic and seasonal fluctuations, availability of credit and financial facilities

¹⁰ Trading-Area Analysis (2008). <https://www.slideshare.net/akira9515/tradingarea-analysis-presentation>

- **Competitive Situation.** Number and size of existing competition, evaluation of competitor strength/weaknesses, short-run and long-run outlook, level of saturation
- **Availability of Store Locations.** Number and type of store locations, access to transportation, owning versus leasing opportunities, zoning restrictions, costs
- **Regulations.** Taxes, licensing, operations, minimum wages, zoning

Retail businesses in the Stevens Rd. Tract will rely upon customers from existing neighborhoods and future residents of the area including those from the Southeast Area Plan and Stevens Ranch Master Plan. Retail is unlikely to lead development of the area, however, as housing is built retail will play a supportive role to provide the amenities and services typically demanded by residents close to their homes. Additionally, as employment uses are built throughout the area, it will strengthen the daytime population needed to support retail development along with food and drinking establishments.

4.2 Office and Industrial

4.2.1 Office and Industrial Space Demand

Demand for office space is a function of economic conditions including the local and regional business climate, population growth, and employment trends. These factors are essential to understanding historical and projected business activity, office-dependent businesses, tenant needs, and community job creation. Office space demand has been changing in the past decade. Many office-related companies have downsized their office footprint and do not see a need for more space with remote work increasing in popularity during the COVID-19 pandemic. Office demand has increased for collaborative and shared work environments along with continued demand for office space in downtown locations for larger corporate employers.

Demand for industrial space is primarily influenced by two demand drivers: local growth and production (creating the need for local serving businesses), and distribution to external markets (creating demand for externally oriented businesses). Industrial land users that serve these two sources of demand have different land and site needs.

- **Local serving businesses** grow as a result of population and employment growth in the region. As the region grows, consumption increases, which in turn, creates a need for more products and services, such as wholesale trade to supply local businesses, construction to build more buildings, and transportation and storage to move and store those goods. This growth drives demand for more industrial space within the region.
- **Externally oriented businesses** serve the larger state and even global economy by producing, storing, and transporting goods. Because the source of this demand is external from the local economy, demand for industrial space locally will only be realized if local sites have a comparative advantage over other locations. As a result, the industrial land supply and other factors, such as the cost of electricity, regional transportation accessibility, or tax policy, play an important role in shaping external-oriented demand for industrial space.

Industrial users in the Stevens Rd. Tract will likely be local serving businesses generally due to the high demand of industrial and flex space that is demanded by the area for small to medium size spaces. Typically, externally oriented businesses are large companies that look for economies of scale for large industrial uses such as manufacturing plants, research labs, or data centers—which the Stevens Rd Tract does not have the land or infrastructure necessary to support.

4.2.2 Office and Industrial Site Considerations

The Stevens Rd. Tract is being planned to accommodate a variety of industrial and commercial uses. However, due to physical site limitations and geographical location of the area freight access will be a major challenge for businesses. As a result, some portions of the Stevens Rd. Tract area will be better positioned than others for these uses.

Many industrial uses, for example, tend to require large, rectangular lots (50 acres or larger) with relatively flat grading. Other industrial uses—like many of those that are currently in demand in the current market—are smaller and require much less land. These developments require sites of 20 acres or less and many are suitable for sites of only a few acres in size. Office and commercial uses generally require smaller lots with relatively flat grading.

Figure 13. Site Characteristics for Office and Industrial Real Estate

Source: City of Bend (2016), Economic Opportunities Analysis, Bend's Growth to 2028

Site Category	Typical Site Size (Acres)	Target Industries/ Employment	Site Requirements
Large Commercial / Office	10 to 50	Higher Education, corporate employers	Typically located in downtown locations or lining a major highway corridor for easy transportation access. These large office buildings are typically within major business parks. Parking garages or large amount of parking is needed and often times serviced by frequent transit.
Medium Commercial / Office	5 to 20	Information Technology, Large medical offices, Hospitality, Higher Education, Research and Development	Suburban office buildings can be found along major arterials, adjacent to retail centers and multifamily residential complexes.
Small Commercial / Office	Less than 2	Small medical offices, professional office users	These small office spaces will generally be found along arterial roadways long other strip retail or commercial uses.

Site Category	Typical Site Size (Acres)	Target Industries/ Employment	Site Requirements
Large Industrial and Flex ¹¹	50 to 250	Renewable Energy, Information Technology	Large land with easy freight access to major highways.
Medium Industrial and Flex	10 to 75	Specialty Manufacturing, Aviation - Aerospace, Secondary Wood Products, Recreation Equipment, Renewable Energy, Information Technology	Typically located near arterial roadways near other commercial uses and in industrial parks. Requires some space for manufacturing and office.
Small Industrial	Less than 10	Specialty Manufacturing, Aviation - Aerospace, Secondary Wood Products, Recreation Equipment, Renewable Energy, Information Technology	Typically found in industrial parks along other commercial uses on major arterial roadways.

¹¹ Ibid.




4.3 Residential Development Considerations

Bend is facing an increasing challenge to support the development of affordable homes for households with the lowest incomes, but there is demand for housing of all types at most price points for both rental and ownership housing. Recent population trends suggest increasing demand for smaller homes, attached housing, and high-density multifamily housing.

Below we summarize housing preference trends by market segmentation and the types of housing that could be planned for the Stevens Road Tract Concept Plan if the area can address and overcome infrastructure and other development barriers.

Figure 14. Residential Development Considerations

Source: ECONorthwest

... for Millennials	...for Baby Boomers	...for Multigenerational Households
		
<p>An influx of Millennials will increase the need for affordable housing for renters and homeowners such as small single-family dwellings, cottages, accessory dwelling units, duplexes, townhomes, garden apartments, and apartments.</p> <p>The size of dwelling units will vary depending on household size, from single-person households to households with children. Millennials are likely to choose housing in areas closer to services and activities, such as downtown Bend and nearby neighborhoods.</p>	<p>Baby Boomers will make a range of housing choices as they age, from continuing to remain in their homes as long as possible, to downsizing to smaller dwellings, to moving into group housing (e.g., assisted living facilities or nursing homes) as their health fails.</p> <p>As Baby Boomers age, they will need small single-family dwellings, cottages, accessory dwelling units, townhomes, apartments, and condominiums. Baby Boomers who move are likely to choose housing in areas with nearby shopping, health care, and other services, such as neighborhoods with integrated services or in downtown Bend.</p>	<p>Multigenerational households will need affordable housing that can accommodate their larger households.</p> <p>Growth in this cohort will increase the need for affordable housing for renters and homeowners such as single-family dwellings (both smaller and larger sized dwellings), duplexes, larger townhomes, garden apartments, and apartments.</p> <p>Ownership opportunities for multigenerational households will focus on moderate-cost ownership opportunities, such as single-family dwellings on a small lot or in a more suburban location, duplexes, and townhomes.</p>

5. Case Study: Northwest Crossing

This case study showcases the successful land use planning elements of one of Bend’s newest master-planned communities—Northwest Crossing—as an example of a “complete community” that is largely built out with recent development. We provide a high-level summary of the land uses planned for the area and how the mix of commercial, mixed employment, and residential uses contribute to a complete community. Northwest Crossing was identified as a relevant case study for the Stevens Road Tract Concept Plan due to its emphasis on a complete community with a mix of uses, although the locational attributes are different between these areas and Northwest Crossing covers a larger area. A list of lessons learned is provided at the end of this section that can inform planning for a new master-planned community in Bend like the Stevens Road Tract Concept Plan.

5.1 Overview and Context

Northwest Crossing is a new 487-acre community in west Bend that exemplifies the concept of a “complete community.” The area was thoughtfully planned as a walkable, mixed-use community with employment and commercial zones, schools, parks, and amenities for residents to conduct their daily lives.

Northwest Crossing’s unique location gives the area scenic views of the mountains and open space access via several trailheads. These natural features coupled with the variety of housing types, mix of architectural styles, pedestrian-friendly streets, community-scaled businesses, schools, and employment areas all have contributed to the residential and commercial growth of the area. The area’s high median household income and spending power has also influenced the development of new restaurant establishments and a supermarket.

5.2 Land Use and Development Program

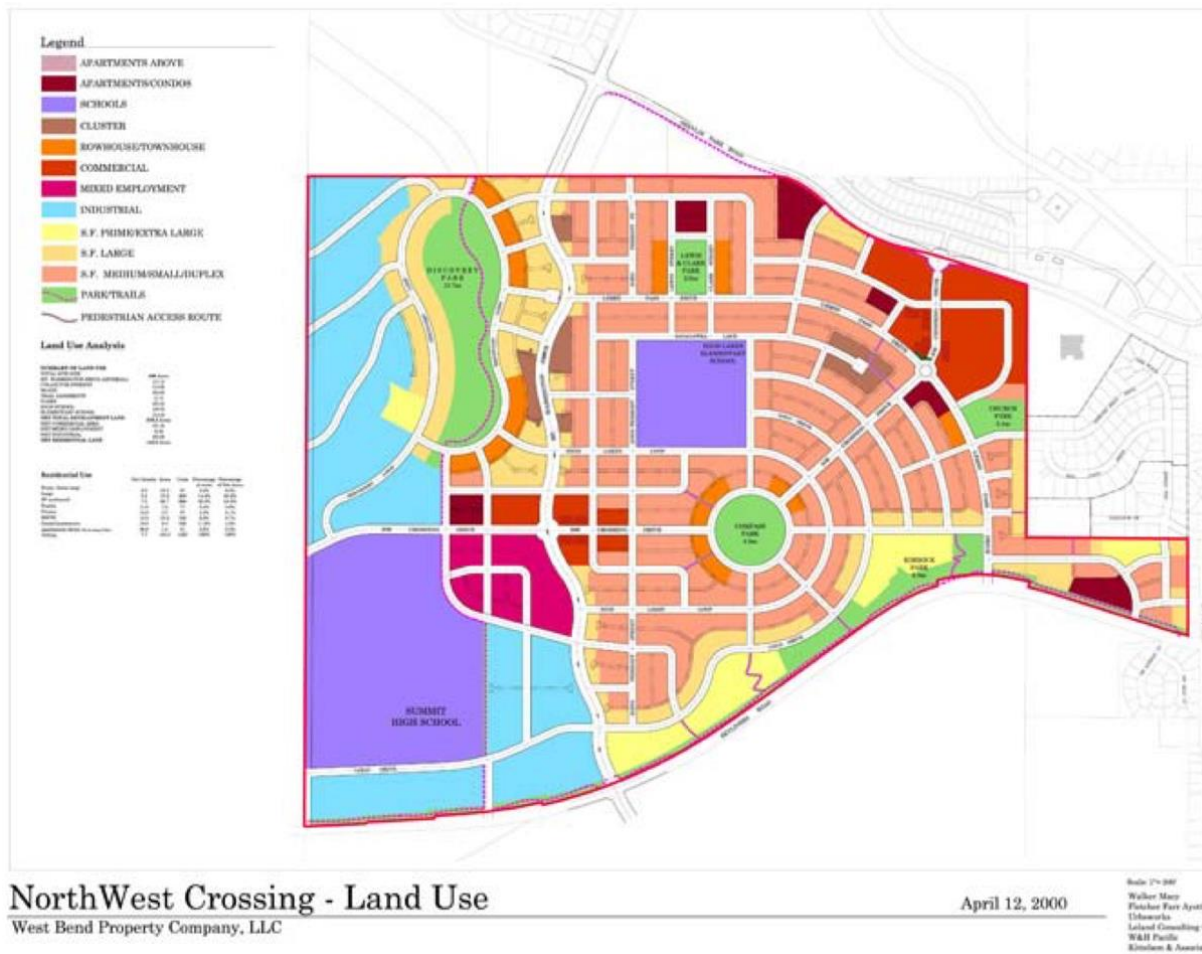
Northwest Crossing’s land use program includes:¹²

- Approximately 224 acres of residential land;
- About 70 acres of commercial and mixed employment that allows for a variety of retail and employment uses;
- Approximately 96 acres dedicated toward the development of schools and parks;
- Roughly 97 acres for roadways and circulation for the area.

¹² ULI Development Case Studies: Northwest Crossing. <https://casestudies.uli.org/wp-content/uploads/2015/12/C036011.pdf>

Figure 15. Northwest Crossing Original Land Use Plan (2000)

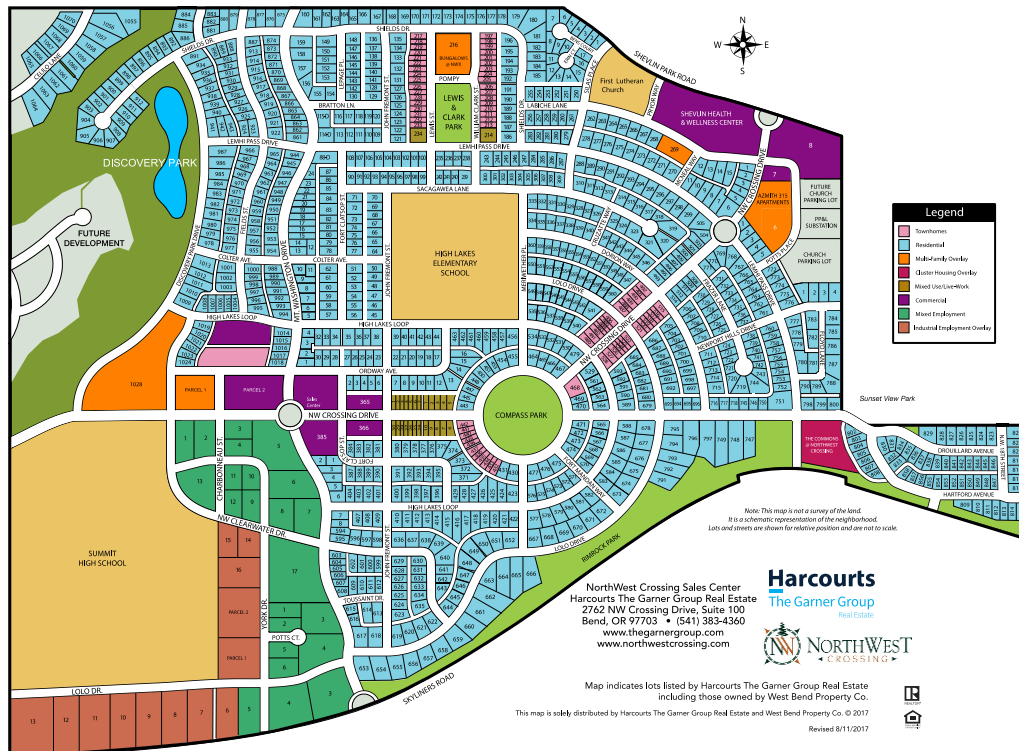
Source: West Bend Property Company, LLC; ULI



The final land use program for Northwest Crossing (shown on Figure 16) varies slightly in terms of the number of acres compared to the original plan acreages described here. Notably, some of the industrial area has been converted to Mixed Employment, and the area at the far west shown as industrial in the original land use plan was changed to residential use and a park.

Figure 16: Northwest Crossing Land Use Map (2017)

Source: Harcourts The Garner Group Real Estate and West Bend Property Co.



Development in the area includes:

- Approximately 1,350 housing units, with a mix of single-family homes, townhomes, and apartments that have been mostly built as of 2021. There are over 1,000 single-family homes, 235 apartments units across three apartment developments, a few dozen townhouses and live/work units, and a scattering of duplexes and cottage cluster units. The multifamily development includes two affordable housing developments—one serving low-income seniors and one open to families—and one market-rate apartment building (The Range) with 132 units.
- Approximately half a million square feet of commercial space. Most of the commercial space built in the area has been office (344,000 sq. ft.) and retail (86,000 sq. ft.). Newer office space in Northwest Crossing is generally small-scaled, medical office, and mixed with retail, either within the same building or same property parcel. New retail space is small-scaled, typically found on the ground floor of a mixed-use office building or along a main-street setting.

- Light industrial and flex space totaling about 67,000 sq. ft. of space in 2021. Industrial and flex space in Northwest Crossing has attracted several small manufacturers and research and development firms.
- A high school and an elementary school, along with a church, and multiple parks.

5.3 Lessons Learned and Relevance to Stevens Road Tract Concept Plan

- The mix of commercial uses that were planned in Northwest Crossing—including retail and mixed-employment—supports the daily life of residents and employees in the area. However, commercial development has trailed residential development with most of the retail and office space in the main street area developing after most of the housing was built out. Commercial areas closer to existing neighborhoods developed earlier in the build-out. Mixed employment and industrial areas are still not fully developed after nearly 20 years.
- While Northwest Crossing is not a strong location for industrial development, it has succeeded in attracting medical offices, small professional offices, and some flex development. The Stevens Road Tract Concept Plan may attract somewhat less office space but may be similar or better for flex space.
- Natural scenic views of the mountains and access to open space trails have contributed to a desirable community that has attracted both residents and employers like Hydroflask to the area.
- Amenities like good schools, parks, pedestrian-friendly streets, and community-scaled businesses have attracted new residents.
- The variety of housing types such as single-family homes, townhomes, and apartments has allowed for a diversity of households to live in the area, though the area is quite expensive and has a relatively limited amount of affordable housing.

6. Competitive Commercial and Industrial Areas

There are several existing commercial centers and planned commercial and industrial land that are direct competitors to the Stevens Road Tract Concept Plan. This is to say, when commercial and industrial businesses are seeking a new location, they are likely to compare a location in the Stevens Road Tract Concept Plan with those in several other similar commercial and industrial areas. Each of these areas has advantages and disadvantages to Stevens Road Tract Concept Plan for commercial and industrial uses.

6.1 Competitive Commercial Areas

Citywide, Bend has several major commercial centers that draw customers from a wide trade area typically between a 15-to-30-minute drive time. This wide customer draw makes it challenging for new commercial areas to compete with existing nearby commercial centers that have an established customer base and specialty retailers. The Stevens Road Tract Concept Plan is in the fringe of the City with no attraction destination to draw customers in and it is not adjacent to a major roadway with high traffic counts that could potentially draw passerby visitors in—a requirement needed for a successful commercial business. This indicates that the Stevens Road Tract Concept Plan can support a small commercial area based on the future residential population, however, commercial construction will not likely lead development in the area.

Neighboring planning areas like the Stevens Ranch Master Plan (SRMP) and the Southeast Area Plan (SEAP) have commercial land that is better positioned to accommodate commercial uses. Commercial land, in both the SRMP and SEAP, is located adjacent to a major roadway that provides high visibility and will likely increase in traffic counts as the surrounding areas are developed. Both master planned areas also have large vacant acreage of commercial and mixed-employment land that can accommodate medium to large-scale commercial centers that would meet the needs of residents and visitors from afar. The land area, size, and location of the Stevens Road Tract Concept Plan make it challenging for medium to large-scale commercial uses to be located in the area. However, smaller community-scaled businesses could support the needs of the area residents.

6.2 Competitive Industrial Land Areas

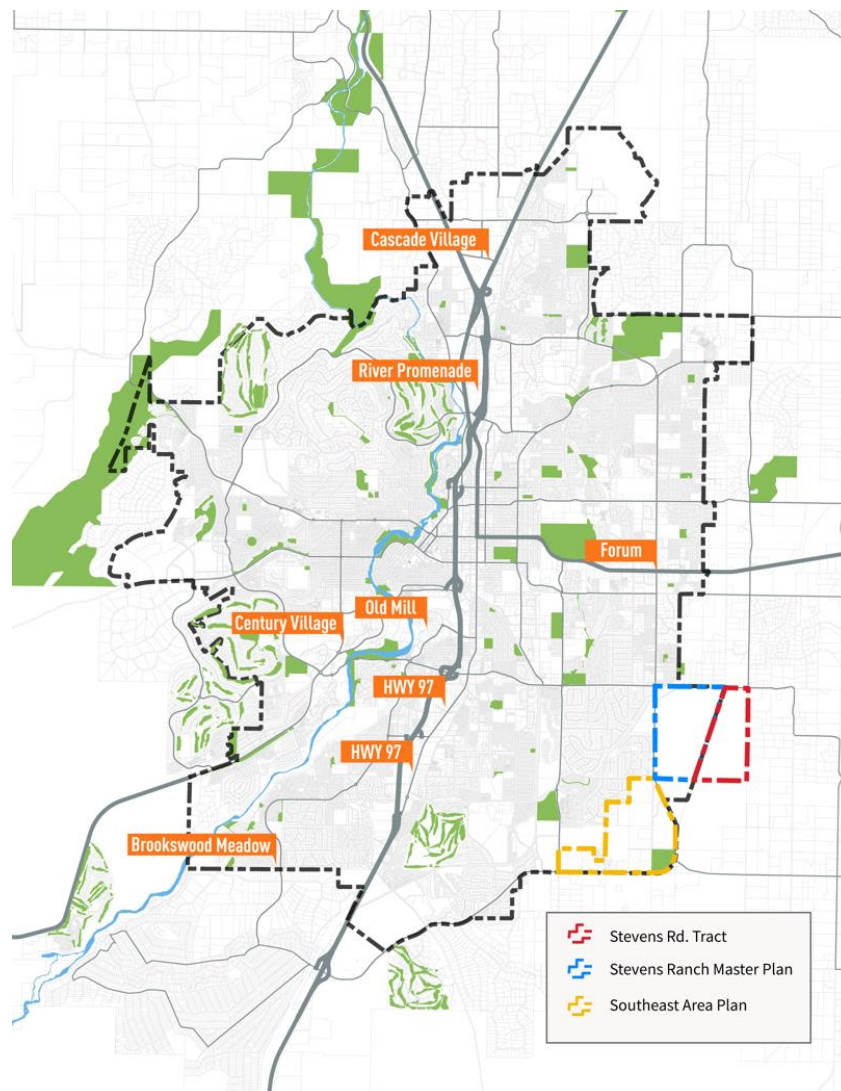
Industrial businesses seeking a new location have several areas to locate within Bend. These industrial land areas include Juniper Ridge, Brinson Industrial, Northwest Crossing, Southeast Area Plan, and Stevens Ranch Master Plan. Each of these areas has its own locational opportunities and challenges that might make sense for an industrial business to locate its new business there. However, the biggest challenge facing the Stevens Road Tract Concept Plan is the lack of direct freight connections to state highways and major roadways that will limit the

attraction of traditional industrial users such as large-scale industrial, warehouse and distribution uses.

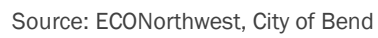
Industrial land in the Stevens Ranch Master Plan has a competitive advantage in that it allows for light to heavy industrial uses including wholesale warehouse and distribution uses. The SEAP has a competitive advantage for industrial businesses who seek flexibility within a building to have both industrial and commercial uses such as small retail or office space. Each of these two industrial areas also has locational characteristics such as access to a major roadway and medium to large industrial land that complement industrial businesses' needs better than the Stevens Road Tract Concept Plan. This all suggests that industrial uses best suited for the Stevens Road Tract Concept Plan are mixed employment uses that can complement the more intensive industrial uses in the SRMP while allowing for smaller retailers and office uses to serve the area's residents, employers, and visitors.

Figure 17. Major Competitive Commercial Centers

Source: ECONorthwest



Source: ECONorthwest, City of Bend



7. Conclusion for Market Potential

Bend's population is growing rapidly, and it is expected to continue to do so in the future. Bend's economy also continues to expand, driven by population growth as workers from elsewhere are drawn to Bend's high quality of life and work-life balance. Citywide market trends suggest that the Stevens Road Tract Concept Plan is well-positioned to develop into a complete community, provided that planning for the area can address and overcome infrastructure and other development barriers.

7.1 Commercial and Employment Land Demand

- **Office:** Demand for office space in the Stevens Road Tract Concept Plan will come from overall employment growth in Bend for office-oriented businesses and demand for workspaces and medical offices close to where people live. This could include office space that allows for collaborative and shared work environments that is typically mixed in and complemented with other uses such as retail. Similar to Northwest Crossing, the area could support commercial mixed-use development integrating retail and office space within a building with office uses located either on the ground or second floor. The area can also support small-scale, neighborhood-serving office businesses such as medical and dental offices, accountants, insurance, and real estate offices that serve surrounding residential uses. These businesses may be in small buildings within a commercial area or (for medical office) a larger complex in an area with better transportation access.
- **Retail and Personal Services:** Retail demand (including personal services) will be based on new housing in the area, as other areas are better positioned to serve existing residents. A limited amount of neighborhood-serving retail space for personal services, wellness/lifestyle businesses, and eating and drinking establishments can be supported by future residential uses. These retail businesses are most likely to be built as a small neighborhood commercial center or part of a main-street type retail development. The area could also potentially support a neighborhood-serving pharmacy or similar business as an anchor tenant to the commercial center.
- **Industrial and Flex:** Market trends indicate increasing demand for industrial and flex space that allows for a mix of employment uses such as light manufacturing, light industrial, and limited retail and office uses. The Stevens Road Tract Concept Plan could support small-scale, mixed-employment uses provided it is developed with good access to SE 27th Street. The area's lack of transportation access for state highways and major roadways will limit the attraction of traditional industrial uses in the area such as warehouses and distribution centers that require good freight access and connections.

Overall, there is likely demand for a small (2- to 5-acre) retail-focused commercial area complemented by roughly 10-25 acres of employment land that can accommodate office, flex, light industrial, and commercial uses.

7.2 Residential Land Demand

House Bill 3318 requires the area to be planned with a mix of housing types affordable to residents at different incomes levels ranging from single-family homes up to high-density housing.

- **Single-Family:** Population and household growth in Bend will likely continue to support demand for single-family housing for the foreseeable future. Newer residential development has tended to favor smaller lots, and this is likely to be the case in the Stevens Road Tract Concept Plan as well.
- **Middle Housing:** While there has been relatively little middle housing development in Bend to date, with regulatory barriers going away, more is likely to occur going forward. The most likely form of middle housing for the Stevens Road Tract Concept Plan is for-sale townhouse-style attached housing or cottage cluster housing. The market could support anywhere from a small percentage of units (e.g. roughly 10%, as in Northwest crossing) or a higher percentage (up to about 25%) as some other new growth areas around the state have seen.
- **Multifamily:** Market trends indicate the area is likely to support 3- to 4-story apartments with surface parking. These would likely range between 100 to 200 units each. The market may support one to three apartment developments in this area, depending on how demand for multifamily development changes over time.